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C O N F I D E N T I A L SECTION 01 OF 03 VIENNA 001418

SIPDIS

DEPARTMENT FOR EUR/CE

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TAGS: [PGOV](#) [PREL](#) [AU](#)

SUBJECT: AUSTRIAN ELECTIONS: A NEW GRAND COALITION, RETURN
OF FAR RIGHT AMONG POSSIBLE OUTCOMES

REF: A. VIENNA 1392

[1](#)B. VIENNA 1287

[1](#)C. VIENNA 965

Classified by: Economic-Political Counselor J. Dean Yap for
reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The outcome of Austria's September 28
election for a new parliament will only set the framework for
coalition talks, possibly lasting months, from which a range
of outcomes are possible. Foreign policy has received scant
attention during the campaign. The result of the vote is
unlikely to dramatically alter U.S.-Austrian relations or the
broader course of Austrian foreign policy. However, a
governing coalition that excluded the conservative OVP would
be dominated by the Social Democratic Party (SPO), which is
generally more reluctant to support U.S. policies. The
far-right FPÖ and BZÖ are expected to draw about a quarter of
the vote combined, and could join the next government. These
are protest parties that, however effective in opposition,
are unlikely to be able to greatly influence policy as
coalition members. Despite the failure of the outgoing
SPO-OVP Grand Coalition, the two leading parties could join
up again. End Summary.

The Numbers

[1](#)2. (U) A record 10 parties are competing nationwide for the
183 seats in Austria's parliament. Five are considered sure
to clear the 4 percent hurdle necessary to win seats, a
sixth, the Liberal Forum, appears on the cusp of returning to
parliament after a nearly 10-year absence. In polls taken
before September 21 (they are banned during the final week
before the election), the SPO and OVP both polled between 25
and 30 percent, with the SPO enjoying a 2-3 percent lead in
most polls. The far-right FPÖ is expected to draw 15-20
percent, followed by the Greens with 10-12 percent and the
far-right BZÖ with 6-8 percent.

[1](#)3. (U) To win over voters, the SPO introduced a package of
sweeteners into parliament in the last three weeks before the
election (reftels A-B). The conservatives attacked some of
these as financially irresponsible, but joined in voting for
some on September 24. However, the major element of the
package, a proposal to halve the value added tax (VAT) on
staple foods, failed when the BZÖ declined to join the SPO
and FPÖ in support. Elements of the package approved by
lawmakers included the elimination of university student
fees, an increase in home nursing care assistance for the
elderly, and an expansion of child care benefits. The impact
of this partial victory for the SPO is unpredictable, as is
the impact of the global financial crisis, which has provoked
considerable anxiety but has had limited concrete impact in
Austria so far.

Coalition Options

14. (U) Given the poll numbers, if the election outcome falls roughly along these lines, multiple coalition options are theoretically possible, but none is considered a certain outcome and all pose political challenges.

15. (C) SPO/OVP - Another Grand Coalition: When the current SPO-OVP coalition government collapsed in July, the last thing anyone wanted to see was a sequel. The coalition partners had failed to cooperate and split after 18 months of bickering. SPO members repeatedly accused the OVP of obstructing their initiatives at every turn, a point that OVP contacts privately acknowledge. As OVP MP Michael Ikrath explained it to us, OVP leaders, bitter over their narrow defeat in the 2006 elections, had no interest in cooperation. As the junior coalition partner under an SPO chancellor, the OVP would get no credit for any government accomplishments, Ikrath said. Nevertheless, another grand coalition may be the best outcome available and the only option for forming a majority government without including one or both far-right parties. However, most observers predict such a coalition will be possible only if the party that comes in second on September 28 drops its current leader, as SPO Chairman Werner Faymann and OVP Chairman Wilhelm Molterer appear unable and unwilling to work with one another.

16. (C) OVP and the Far-Right: The OVP's Molterer (and the SPO's Faymann) has made (somewhat qualified) pledges not to form a coalition with the FPÖ. But a two-party coalition with either of the far-right parties (FPÖ and BZÖ) will almost certainly fall short of a majority. A three-party coalition would be difficult given the bitter rivalry between BZÖ Chairman Jörg Haider and FPÖ Chairman Heinz-Christian

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Strache. Moreover, FPÖ contacts tell us they do not believe the timing is right for their party to re-enter government. The FPÖ's decision after the 1999 elections to become the OVP's junior coalition partner caused the party to split and lose support. Our contacts say they are hoping that their party can continue to grow and enter government in the future as coalition leader. Nonetheless, after placing third in the 1999 elections, the OVP outmaneuvered the first-place SPO by forming a government with second-place finisher FPÖ, and taking the chancellorship in the deal. So, either a three-party option or a minority government of the OVP plus one of the two far-right parties strengthened by an agreement on parliamentary cooperation with the other cannot be excluded, especially as these options could prove the only way for OVP leader Molterer to continue a political career.

17. (C) SPO/FPÖ/BZÖ - Left-Right: SPO contacts insist to us that their party will not form a coalition with the far right. SPO MP Jan Krainer acknowledged that some party members might accept the idea, but he maintained that Faymann would risk a revolt by a large number of MPs if he dared to pursue this path. OVP contacts, however, note that it was the SPO that first brought the FPÖ into government, in 1983, and assert that, pledges notwithstanding, it could do so again. Faymann has proven to be a slippery character during his brief term as party chairman -- announcing a sudden reversal of longstanding SPO policy on EU referenda (adopting the far-right's position) and going back on a pledge not to bypass the OVP on legislation in the government's waning days. Faymann also worked closely with the FPÖ to pass a number of "anti-inflation" measures (actually, tax and fee reductions for various segments of the population) in the final weeks of the election campaign, and so a coalition with the far right cannot be ruled out.

18. (C) Minority Governments with the Greens: While Faymann has said he will not form a coalition with Strache's FPÖ, he has left open the possibility that the SPO could form a minority government with the Greens supported by the FPÖ. Such an option is far from ideal; there has only been one minority government in Austrian history, and such a government would probably be short lived. Still, if

post-election coalition negotiations prove fruitless, a minority government could serve as a short-term solution. The OVP could also form a minority government with the Greens, and early in the election campaign Green leader Alexander van der Bellen made positive noises about such an option. However, most Green voters lean to the left and an OVP-Green government would be very weak numerically in parliament.

Greens, Others Face Tough Path

¶9. (U) The most anticipated majority coalition scenarios exclude the Greens. Expected to finish fourth, they will likely not draw enough support to provide either the SPÖ or the OVP with a majority. Moreover, unlike the two leading parties, the Greens are universally expected to keep their pledge not to join any coalition that includes the far right.

That would make them ineligible for most three-party coalition scenarios. However, if the small Liberal Forum party manages to enter parliament, the Greens could possibly join the SPÖ and Liberal Forum in a governing coalition. Recent polls place Liberal Forum close to the 4 percent threshold for entering parliament (though it is possible to obtain a small number of seats without reaching the threshold). The other small parties appear to have no chance of entering parliament. The votes of parties scoring less than 4 percent are divided proportionally among the parties that clear the hurdle.

Foreign Policy Implications?

¶10. (C) Foreign policy has been virtually absent from the campaign, as party leaders have focused on offering voters "election candy" in the form of promised social benefits. Even EU issues have been kept on the back burner. Though impossible to predict before a coalition is assembled, the outcome of the election seems unlikely to have a dramatic impact on U.S.-Austria relations, or on the overall course of Austrian foreign policy. Under the current government, the OVP dominates the MFA, led by OVP FM Plassnik. This is likely to continue under any coalition government that includes the OVP. If the OVP is left out of the government, the SPÖ would probably control the MFA, and possibly the Interior and Defense ministries as well. The SPÖ is generally more critical of U.S. policies than the OVP, and we would expect that a more SPÖ-oriented government would be

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somewhat more difficult to work with.

¶11. (C) A return of the far-right to government would raise concerns internationally. However, EU partners would likely react more calmly than in 2000, when the formation of a government that included the FPÖ led to EU-wide diplomatic sanctions. Though FPÖ leader Strache and BZÖ leader Haider engage in xenophobic and sometimes anti-American rhetoric, they are essentially political opportunists with no real ideological foundation. In opposition, they are effective at drawing protest votes, manipulating anxiety over Muslim immigration and globalization. But in government they are unlikely to put their stamp on Austrian policy.

GIRARD-DICARLO